

April 12, 2005

The Honorable Norman Cuffel, Chair Pacific County Commissioners 300 Memorial Ave South Bend, WA 98586

Subject: Projection of Income from State Forest Board Lands

Dear Commissioner Cuffe July

State forest board lands in Pacific County generated \$1.8 million actual revenue during the first quarter of calendar year 2005. Net value projected for harvest in the remaining three quarters of calendar year 2005 is \$1.6 million. The total of actual plus projected revenue for calendar year 2005 is \$3.4 million. This represents an increase of \$690 thousand from the January 2005 report. Net value under contract for harvest after December 2005 is estimated at \$46 thousand. This timber could be harvested earlier if market conditions, purchaser harvesting plans, and/or regulatory requirements warrant.

The figures in this report are based on a survey of purchasers with timber sales under contract as of March 31, 2005. Sales sold throughout the remainder of calendar year 2005 could provide additional revenues to your county. Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales under contract, and the schedule of future sales activity on state forest board lands.

Total revenue from all state forest board lands distributed during the first quarter of calendar year 2005 was \$18.9 million. Net value projected for harvest in the remaining three quarters of calendar year 2005 is \$51 million. This represents an increase of \$20.7 million or 42 percent from the projection in the January 2005 report. The total net value under contract for harvest after December 2005 is estimated at \$11.6 million.

Timber removals projected for 2005 indicate revenues from state forest board lands will remain near the levels reached in 2004. Harvest activity continues to be volatile as purchasers balance their timber supply options and mill inventory needs with changes in end-product markets. The primary drivers for individual purchaser's timber harvest plans remain market conditions, both domestic and foreign, with timber supply concerns, contract requirements, and regulatory requirements influencing individual sale harvest decisions.

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The next projection of state forest board revenues will be available in July 2005. Eric Schroff, Pacific Cascade Region Manager, can advise you of department management programs in your county, as well as other activities impacting revenues. Eric can be reached at 360.577.2025.

Sincerely,

Doug Sutherland

Commissioner of Public Lands

Enclosures

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County Income Report April 2005

Income from management activities on state forest board lands is designated for allocation to several taxing districts in each county, depending upon the location of the activity in that county. Only a very small amount is available for discretionary use by the county.

Revenue from state forest board lands come primarily from harvested timber. Lease activities and rights-of-way applications provide additional sources of revenue. Another source of revenue to the counties is leasehold tax returns, which will vary with the amount of lease activity in any given year.

Table 1 shows the annual revenue for each county from calendar year 1996 through calendar year 2005. As is evident in Table 1, total revenue varies considerably from year to year. Many of the key variables responsible for high revenues in one year can also lead to reduced incomes the following year.

Revenue projections for each of the 19 counties with state forest board land were made for the calendar year 2005. **Table 2** includes the summary of all timber harvest projections listed in Table 2A, and is combined with an estimate of additional revenue from leases, rights-of-way applications, and other activity on state forest board lands. **Table 2A** presents projected revenue for each timber sale on state forest board lands.

Table 3 presents the volume and net value under contract as of March 31, 2005 that is not currently scheduled for harvest until after December 2005.

These projections were developed by Department of Natural Resources' region staff who contacted each timber sale purchaser with sale rights, to determine approximately how much and when they planned to harvest the timber in each sale.

Projections for each sales anticipated harvest should be considered a rough estimate only, as actual removal activity depends on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future state forest board timber sales in your county is available upon request from Department of Natural Resources' region staff.

Table 1. Revenue to Counties from State Forest Board Transfer and Purchase Lands (Calendar Years)

Updated: 4/8/05

										Jan - Mar
County	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Clallam	\$21,453,508	\$10,271,598	\$12,686,274	\$8,067,336	\$5,758,321	\$6,963,919	\$3,600,540	\$4,777,301	\$4,426,097	\$1,322,672
Clark	2,847,886	5,021,940	6,007,736	5,201,304	2,366,311	3,573,835	2,313,003	3,820,106	4,092,569	470,431
Cowlitz	4,079,212	3,357,206	3,017,014	3,348,777	1,212,652	1,839,302	5,001,470	2,934,808	215,329	1,160,341
Grays Harbor	2,780,804	4,943,351	1,784,346	2,028,606	2,352,472	1,862,881	3,293,823	2,107,685	1,776,300	451,034
Jefferson	3,272,441	556,130	1,957,760	1,663,170	1,649,297	518,203	1,778,453	889,650	1,631,808	472,212
King	1,096,697	2,993,582	2,160,183	3,223,396	1,143,568	1,835,851	1,976,627	2,889,619	4,388,319	35,101
Kitsap	725,435	3,004,528	406,398	753,902	599,418	729,223	31,508	626,030	1,109,673	12,687
Klickitat	1,282,502	15,947	15,094	907,813	1,306,269	1,988,025	263,951	1,207,848	112,777	88,849
Lewis	12,892,185	12,302,198	14,631,380	12,730,883	10,052,997	3,945,857	1,534,075	5,493,493	4,356,765	254,421
Mason	1,268,182	2,081,988	2,357,532	1,837,711	2,799,623	1,321,104	2,382,746	2,379,357	5,336,229	784,983
Pacific	592,612	3,194,157	2,296,047	6,323,846	2,771,851	4,007,787	969,916	1,875,588	2,051,170	1,782,827
Pierce	8,463	1,871,447	607,701	1,943,460	529,510	1,469,706	2,237,462	3,571,913	5,620,352	130,936
Skagit	8,888,129	11,372,252	9,187,203	11,422,067	9,194,478	5,509,637	13,209,159	8,973,769	9,620,659	2,950,885
Skamania	2,162,216	788,119	2,385,689	3,933,138	755,801	768,791	55,235	68,576	533,038	13,658
Snohomish	13,347,951	16,030,098	3,427,872	13,750,038	14,528,018	8,543,151	6,452,352	10,398,846	13,664,903	5,300,476
Stevens	33,941	31,821	36,075	43,894	30,236	43,769	33,815	39,619	36,945	0
Thurston	6,202,584	11,252,520	8,127,942	7,573,165	6,156,550	8,080,735	3,770,580	4,523,536	6,270,700	1,418,303
Wahkiakum	2,137,474	5,461,307	1,164,313	2,503,796	1,481,581	2,244,642	2,414,098	2,011,817	1,015,082	889,221
Whatcom	9,003,843	8,671,921	5,078,947	6,824,410	4,059,821	5,759,368	5,525,028	6,993,439	7,467,518	1,393,379
Totals	\$94,076,064	\$103,222,110	\$77,335,506	\$94,080,712	\$68,748,774	\$61,005,786	\$56,843,841	\$65,583,000	\$73,726,233	\$18,932,416

Note: Revenue is received daily by the Department of Natural Resources for activities on State Forest board lands and deposited daily at the Office of State Treasurer. Effective February 1998 these monies are remitted to each county via wire transfer a minimum of four times per month. Due to the specific date monies are received by the Department and the cutoff dates used by the State Treasurer for wire transfers, the revenue for the current period may be different than actual remittances to date.

Table 2. Total Projected Revenues to Counties from State Forest Board Transfers and Purchase Lands 1/

(Dollars in Thousands)

April thru June 2005 July thru December 2005 County Medium High Medium High Clallam \$321.6 \$321.6 \$1,457.4 \$2,319.8 Clark 2,862.2 2,862.2 116.3 116.3 Cowlitz 379.5 379.5 3.191.2 3.191.2 1,101.3 **Grays Harbor** 1,101.3 149.3 149.3 Jefferson 725.8 996.1 553.5 1,502.6 2.3 32.9 754.3 834.3 King Kitsap 13.2 13.2 676.8 676.8 Klickitat 88.6 88.6 342.6 342.6 Lewis 3.1 3.1 1,847.5 1,847.7 Mason 2,415.2 2,664.0 316.5 316.5 Pacific 958.9 958.9 686.0 686.0 Pierce 456.9 456.9 1,039.6 1,039.6 Skagit 3,376.6 3,376.6 6,049.3 6,101.6 Skamania 167.1 167.1 450.3 450.3 Snohomish 3.846.3 3.846.3 3.513.2 3.548.9 Stevens 4.2 4.2 26.7 26.7 Thurston 3,465.7 3,465.7 2,880.9 2,880.9 Wahkiakum 1,234.3 1,234.3 213.7 213.7 Whatcom 1,095.6 1,095.6 1.642.0 1.642.0 **Totals** \$22,518.3 \$23,068.0 \$25,907.0 \$27,886.8

Note: Projected revenues are based on timber purchaser's logging plans as of March 2005.

These plans change with changes in the economy and the business needs of each purchaser.

Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales currently under contract and the schedule of future sales on State Forest Board Lands in your county.

High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted. Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.

Table 2A. Projected Timber Harvest Revenues to Pacific County from State Forest Board Transfer and Purchase Lands by Legal Description (Thousands of Dollars) 11

Sale App		Expiration		egal Descript		April thru J		July thru Dec		Value Under Contract after
Number	Sale Name	Date	Section	Township	Range	High	Medium	High	Medium	Dec-05
74849	Hutchins Flats	12/31/05	11,14	13N	7W	0.0	0.0	617.5	617.5	0.0
74868	Hanen Ridge	12/31/05	31	13N	7W	749.7	749.7	0.0	0.0	0.0
75679	Pit Stop Hardwood	12/31/05	19,30 24	13N 13N		164.6	164.6	0.0	0.0	0.0
76531	The Basin CC & Thinning	12/31/07	20,28,29,30,31	13N	6W	43.5	43.5	67.8	67.8	45.9
	Total					\$957.8	\$957.8	\$685.3	\$685.3	\$45.9

High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted. Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted. Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of March 2005. These plans change with changes in the economy and business needs of each purchaser. Department of Natural Resources regional staff should be contacted concerning possible changes in timber harvest plans and for copies of sale area maps for specific locations of timber sales within the legal descriptions listed above.

Pacific 4/29/2005

Table 3. Volume and Net Value of Timber under Contract on State Forest Board Transfer and Purchase Lands for Harvest after Calendar Year 2005 1/

County	Volume (mbf)	Net Value
Clallam	2,894	\$331,907
Clark	8,052	2,394,974
Cowlitz	3,485	1,075,721
Grays Harbor	880	82,814
Jefferson	0	0
King	0	0
Kitsap	0	0
Klickitat	4,573	1,299,097
Lewis	6,496	1,939,963
Mason	370	40,116
Pacific	102	45,907
Pierce	0	0
Skagit	13,648	3,191,338
Skamania	758	59,435
Snohomish	5,615	1,181,399
Thurston	0	0
Wahkiakum	0	0
Whatcom	0	0
Totals	46,874	\$11,642,669

Normally, counties receive 78 percent of Forest Board Transfer revenues and 26.5 percent of Forest Board Purchase revenues.

Note: The sales represented here are currently under contract as of March 2005. This timber could be harvested at any time depending on market conditions and business needs as determined by each purchaser. Sales to be sold in the future could provide additional revenue to your county. Department of Natural Resources' region staff should be contacted concerning future sale activity and dates.